

HARDIN COUNTY WATER DISTRICT No. 1
Radcliff, Kentucky

FINANCIAL STATEMENTS
December 31, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hardin County Water District No. 1
Radcliff, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Hardin County Water District No.1, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Hardin County Water District No.1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Hardin County Water District No.1, as of December 31, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB schedules on pages 3–7 and 26–29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hardin County Water District No.1's basic financial statements. The budgetary comparison schedules and the combining statements of net position, revenues, expenses and changes in net position and cash flows, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and the combining statements of net position, revenues, expenses and changes in net position, and cash flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and the combining statements of net position, revenues, expenses and changes in net position, and cash flows are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2020, on our consideration of the Hardin County Water District No.1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hardin County Water District No.1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hardin County Water District No.1's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
May 20, 2020

Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 60 Years

1400 Rogersville Road
Radcliff, KY. 40160

May 20, 2020

TO: Hardin County Water District No. 1
Board of Commissioners

SUBJECT: 2019 Annual Report & Management's Discussion and Analysis

This report is a joint effort of our staff and RFH, PLLC, Certified Public Accountants. This is the fifteenth year we have retained this firm to complete our annual audit. This report includes the Management Discussion & Analysis, the Independent Auditor's Report, the basic financial statements of the District and related supplemental information and audit notes.

I would like to recognize the contribution of our Finance & Accounting Manager, Mr. Scott Schmuck, CGFM, Ms. Stephanie Strange (Accountant), Ms. Jessica Warren (Accounting Specialist) and Ms. Sara O'Bryant (Accounting Specialist) for their work assisting the auditors in preparing this information. Mr. Kevin Fisher, CPA was the lead auditor for the firm and field staff to complete the audit.

Financial Performance & Highlights

Consolidated Financial Performance: Our financial reports include statements for five distinct enterprise utility funds: County Water, Ft. Knox Water, Ft. Knox Sanitary Sewer, Ft. Knox Storm Sewer and Radcliff Sanitary Sewer. The overall consolidated financial highlights of the year are reviewed first, followed with more specific key items by utility.

For the year, gross plant assets increased by \$9,128,476. Total net position increased by \$6,491,705 (+5.17% [percent changes in parentheses represent change from 2018]). Total revenues, including interest income, increased by \$1,848,094 or +11.7% compared to 2018. This increase is attributable to higher volume sold to Meade County Water District, a new wholesale customer in the City of West Point and increased earnings on investments. Operating income before depreciation was \$4,992,491 (+ 29.5%) and operating income after depreciation (gross of non-operating income and expenses) was \$794,762. This operating income is due to the reinstatement of revenues for the continued operations of two water treatment plants at Ft. Knox, offset by the increase in expense related to the required Net Pension Liability and OPEB adjustments. Total Net Income was \$1,147,742 or 6.79% of total operating revenues. Total net position at the end of the year was \$132,070,592 (+ 5.17%).

Cash used for capital construction was \$10,296,915 (+ 62.5%), of which 54.1% was provided by government grants. At year end, consolidated outstanding debt principal was \$5,038,000 (+ 12.8%). Total working capital (unrestricted cash + investments) at year end increased by 9.5% to \$31,657,053. Of all reserves (cash + investments), 95.2% were unrestricted and available as working capital for capital construction or operations. At the beginning of 2020 we also had total of \$874,364 of available state or federal grant funding for future capital construction projects.

Individual Fund Highlights:

County Water: Total operating expenses (excluding debt interest and depreciation) were 16.5% more than budgeted mainly due to the Pension/OPEB adjustments. Revenues were 8.1% less than budgeted due to the Vine Grove Acquisition not materializing. Net loss after depreciation and interest expense was (-\$409,152) mainly due to increase in pension expense from changes in net pension liability and net OPEB liability. Water sales increased by 9.1% from 2018 and total net position decreased by 1.1%. The bond coverage ratio was 2.39% (-20.6% from 2018) which is approximately 1.99 times the required 1.20.

Ft. Knox Water: Total operating revenues were \$4,656,306 (+ 41.3%) including interest income. Operating income before depreciation was \$969,089 due to the reinstatement of payment for running the Muldraugh Water Treatment Plant (MWTP). Net income after depreciation and amortized expenses was \$798,225. Net position at year end was \$34,538,138 (+ 3.4%) and construction in progress was valued at \$2,058,423. Working capital and cash available for capital construction was \$19,039,156 (+ 6.9%). The negotiations with the Government to restore the added revenues required for continued operations of two water plants paid off as we began receiving payment again January 2019.

Ft. Knox Sewer (Sanitary and Storm): Total operating revenues including interest income increased by 1.1%. Total operating income, before depreciation expense was \$1,659,515 (+ 28.4%). Total net position increased by 2.0%. Total expended for construction was \$2,563,826. At the beginning of 2020, the fund had a balance of \$5,506,417 (- 10.0%) available for construction projects and capital improvements.

Radcliff Sewer: Total revenues (including interest income) were \$4,106,045 (+ 0.56%) which was 11.3% below revenue estimates caused by the Acquisition of Vine Grove not occurring. Total operating expenses (excluding depreciation) were 2.8% more than budgeted. Total net position increased 17.2% to \$33,916,120 and at year end we had construction in progress assets of \$7,627,927 (+ 77.6%). Of the \$5,332,994 expended for construction, 100% was funded by state grants. At year end, the total cash & investment reserve balance was \$5,300,208 (+ 68.3%) of which 100% was unrestricted and available for capital construction or operations. At year end, a total of \$965,431 in state grants are available for future capital construction projects. The fund had net operating income before depreciation and debt interest of \$1,194,707 (- 12.0%) with a net income of \$106,831 (2.66% of revenues).

Operational Changes & Statistics

During 2019, a total of 1,853 MG (million gallons) of potable water was treated (+ 4.45%) and a total of 144.3 MG was purchased for resale (+ 173.3%). Total water delivered to customers (County and Ft. Knox combined) was 1,997 MG (+ 9.30%). The maximum demand day was 6.274 MG (- 10.97%) and occurred on 31-Oct. The average daily water demand for the year was 5.472 MG (+ 9.3%). A total of 46 new water services were installed. Wholesale customers purchased 552.5 MG (+ 44.4%), which was equivalent to 27.7% of total water produced and purchased volume.

The two wastewater treatment plants (Ft. Knox and Radcliff) treated 1,716 MG (+ 0.2%). This resulted in an average daily flow of clean, recycled water into streams of 4.7 MG. The maximum day treated was 19.529 MG and occurred on November 30, 2019.

Other Significant Projects / Changes:

Radcliff Sewer System

Several lift station rehabilitation projects were completed in 2019. The improvements include higher capacity pumps, new electrical panels, and new mechanical systems.

The rehabilitated Seminole lift station went on-line on March 2, 2019 and the rehabilitated Hensley lift station went on-line on March 26, 2019.

The rehabilitated Lincoln Trail lift station went on-line June 4, 2019. This station additionally received new VFD controlled pumps, a new on-site generator, and a new discharge flow meter.

A three-year project of rehabilitating an additional 27 lift stations with all new electrical racks. Each station received a new electrical panel and internal components, a transfer switch, and a generator quick-connect receptacle. The internal project was completed in September 2019.

The Boone Trace trunk line replacement was completed in April 2019. This project included installation of 9,500-ft of 30-inch gravity line to replace 15-inch existing line and involved two parallel gravity lines being consolidated into one line, eliminating 10 manholes and 3,750-ft of line.

In all, 3,094 linear feet of 6-inch cast iron of the Greenview lift station force main was replaced with 8-inch C900 pipe. This replacement project increased the single pump capacity by 330+ gpm.

The 5,099-ft extension and upsizing (10-inch to 16-inch) of the Quiggins lift station force main was completed and put in to service in April 2019. This replacement project increased the single pump capacity by 690+ gpm. Additionally, District crews re-routed 874 feet of gravity sewer in the Quiggins lift station basin to eliminate a bottleneck issue that was occurring in the old line. This project allowed for the abandonment of approximately 462 feet of gravity sewer.

At the Radcliff WWTF, construction of the septic truck dump station and the RAS/WAS Pump Station was completed 2019.

All of these projects were funded through a \$9.6 million BRAC Grant.

County Water System

As part of the Districts Fixed Base Meter Reading System, the distribution staff installed 2,500 100W ERTs and 1,126 meters in 2019. The meter reading system collected its first reading on December 23, 2019.

The U.S. Rural Development funded Hwy 144 Transmission Main Improvements project was completed in 2019.

Design is nearing completion for a fourth filter construction at Pirtle Spring Water Treatment Plant and rehabilitation of the Grey Lane raw water pump station. This project is to be funded by a U.S. Rural Development Loan. Construction is expected to start in the third quarter of 2020.

Fort Knox Water System

The District has been in contract with the U.S. Government for water system ownership and operations since 2012. An Initial System Deficiency Correction (ISDC) project list was part of the original contract. The District has been working towards the completion of the Revised ISDC Projects with the Defense Logistics Agency Energy (DLA). An Amendment to the project list was executed on August 10, 2016, thereby setting a proposed project completion date of August 10, 2019. The majority of the Amendment is related to the construction of two new 1.5-million-gallon elevated water storage tanks and major improvements and complete renovation to the Muldraugh Water Treatment Plant (WTP).

The proposed tanks provide the majority of the benefits to the water quality (due to their strategic location to promote improved circulation) and pressure and fire flow (due to their higher elevation).

As a result of the REA concurrence, construction of the two tanks is set to begin in January 2020, with completion scheduled for November 2020.

With a final design completed on the tanks, the design of the Muldraugh WTP may be completed. Design is expected to be completed in May 2020. The construction schedule was impacted by the long lead time required for manufacture of key components, namely, the high service pumps. The high service pumps are on order and delivery/installation is scheduled for October, 2020. Upon further analysis, Central WTP is expected to be closed in June 2020. Construction is set to begin on the Muldraugh WTP in October 2020.

Additional ISDC projects will follow completion of the Muldraugh WTP.

In order to seek payment for operating the two WTP's between February 2017 and March 2019, the District filed a Request for Equitable Adjustment (REA) with the Government through DLA on May 20, 2019.

The District received MOD P00048 during September 2019 for the REA. The MOD (Modification to Contract) specified the following CLIN (Contract Line Item Number) and dollar amounts:

CLIN	Dollars	Description
0059AA	\$2,154.00	FY 2016 MWTP Operation
0059AB	\$770,040.96	FY 2017 MWTP Operation
0059AC	\$1,162,023.76	FY 2018 MWTP Operation
0059AD	\$488,680.30	FY 2019 MWTP Operation (Oct 1, 2018 – Feb 28, 2019)

The assigned CLIN's had no ACRN (Accounting Classification Reference Number). Once an ACRN is assigned to the CLIN we are able to bill for those monies. CLIN 0059AD was billed on September 30, 2019 for \$488,680.30 (two months was booked as 2019 revenue with the balance booked to contributed capital). This is the only CLIN we were able to bill in 2019.

Fort Knox Sewer System

Several capital wastewater improvement projects were completed in 2019 including the Burke, Eisenhower, and Wilson Road Projects.

Hardin County Water District No. 1 competed at the national level during the AWWA ACE 19 in Denver for the "Best of the Best Tasting Water" representing the Kentucky/Tennessee Section of the American Water Works Association (KY/TN AWWA). While we did not win the award, we were proud to represent the section at the national level!

In closing, The District was ranked, for a second year, by the Kentucky Chamber of Commerce as a 2020 "Best Places to Work"!

Sincerely,



Mr. Stephen M. Hogan
General Manager



Mr. Scott Schmuck, CGFM
Finance & Accounting Manager

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF NET POSITION
December 31, 2019

	Water Total	Sewer Total	Storm Water	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,102,126	\$ 8,982,284	\$ 949,543	\$ 23,033,953
Investments	7,748,302	499,602	375,196	8,623,100
Customer accounts receivable, net	884,732	936,525	119,443	1,940,700
Interest receivable	38,449	3,489	2,620	44,558
Other accounts receivable	202,150	261,546	-	463,696
Note receivable - current	12,933	-	-	12,933
Lease receivable - current	50,057	-	-	50,057
Due to (from) other funds	17,021	(7,907)	(9,114)	-
Inventory - materials and supplies	291,228	4,742	-	295,970
Current portion of interfund receivable (payable)	(428,828)	428,828	-	-
Prepaid expenses	94,007	42,593	1,022	137,622
Total current assets	<u>22,012,177</u>	<u>11,151,702</u>	<u>1,438,710</u>	<u>34,602,589</u>
Non-current assets				
Note receivable	35,288	-	-	35,288
Lease receivable	505,878	-	-	505,878
Interfund receivable (payable)	(1,993,125)	1,993,125	-	-
Restricted investments - reserve funds	1,587,311	-	-	1,587,311
Unamortized acquisition costs	-	138,400	-	138,400
Total non-current assets	<u>135,352</u>	<u>2,131,525</u>	<u>-</u>	<u>2,266,877</u>
Capital assets				
Land and easements	338,807	9,544	-	348,351
Construction in progress	3,335,365	9,880,961	359,283	13,575,609
Plant and lines	67,437,842	129,786,452	6,417,412	203,641,706
Vehicles and equipment	6,962,436	3,016,448	146,187	10,125,071
Total capital assets	78,074,450	142,693,405	6,922,882	227,690,737
Less: accumulated depreciation	(23,670,379)	(89,155,454)	(774,921)	(113,600,754)
Total capital assets, net	<u>54,404,071</u>	<u>53,537,951</u>	<u>6,147,961</u>	<u>114,089,983</u>
Total assets	<u>76,551,600</u>	<u>66,821,178</u>	<u>7,586,671</u>	<u>150,959,449</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	1,555,865	1,264,178	-	2,820,043
Deferred outflows of resources - OPEB	773,998	628,892	-	1,402,890
Total deferred outflows of resources	<u>2,329,863</u>	<u>1,893,070</u>	<u>-</u>	<u>4,222,933</u>
Total assets and deferred outflows of resources	<u>\$ 78,881,463</u>	<u>\$ 68,714,248</u>	<u>\$ 7,586,671</u>	<u>\$ 155,182,382</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 597,262	\$ 393,954	\$ 660	\$ 991,876
Accrued expenses	95,797	48,512	832	145,141
Unearned revenue	56,897	-	-	56,897
Customers' deposits	211,526	208,589	-	420,115
Line of credit	1,002,961	-	-	1,002,961
Reserve for unclaimed funds - escheatment	9,057	-	-	9,057
Liabilities payable from restricted assets:				
Current portion of long-term debt	773,500	-	-	773,500
Accrued interest on long-term debt	33,181	-	-	33,181
Total current liabilities	<u>2,780,181</u>	<u>651,055</u>	<u>1,492</u>	<u>3,432,728</u>
Long-term liabilities				
Compensated absences	240,470	52,030	-	292,500
Bonds payable	4,264,500	-	-	4,264,500
Net pension liability	5,984,045	4,862,176	-	10,846,221
Net OPEB liability	1,430,715	1,162,490	-	2,593,205
Total long-term liabilities	<u>11,919,730</u>	<u>6,076,696</u>	<u>-</u>	<u>17,996,426</u>
Total liabilities	<u>14,699,911</u>	<u>6,727,751</u>	<u>1,492</u>	<u>21,429,154</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	121,750	98,923	-	220,673
Deferred inflows of resources - OPEB	499,871	406,157	-	906,028
Deferred inflows of resources - leases	555,935	-	-	555,935
Total deferred inflows of resources	<u>1,177,556</u>	<u>505,080</u>	<u>-</u>	<u>1,682,636</u>
NET POSITION				
Net investment in capital assets	48,329,929	53,537,951	6,147,961	108,015,841
Restricted	1,587,311	-	-	1,587,311
Unrestricted	13,086,756	7,943,466	1,437,218	22,467,440
Total net position	<u>63,003,996</u>	<u>61,481,417</u>	<u>7,585,179</u>	<u>132,070,592</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 78,881,463</u>	<u>\$ 68,714,248</u>	<u>\$ 7,586,671</u>	<u>\$ 155,182,382</u>

The accompanying notes are an integral
part of the financial statements.

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2019

	Water Total	Sewer Total	Storm Water	Total
OPERATING REVENUE				
Metered water sales	\$ 7,788,562	\$ -	\$ -	\$ 7,788,562
Wholesale sales	1,304,024	-	-	1,304,024
Sewer billing contract revenue	49,072	-	-	49,072
Sewer service revenue	-	6,694,592	-	6,694,592
Stormwater service revenue	-	-	477,792	477,792
Penalties, service fees and reimbursements	355,879	237,010	-	592,889
	<u>9,497,537</u>	<u>6,931,602</u>	<u>477,792</u>	<u>16,906,931</u>
Total operating revenue				
OPERATING EXPENSES				
Treatment	1,423,762	1,399,816	-	2,823,578
Transmission and distribution	2,006,949	1,676,157	64,926	3,748,032
Customer service	442,033	895,688	967	1,338,688
General and administrative expenses	2,974,164	431,845	-	3,406,009
Purchased water	355,177	-	-	355,177
General maintenance	136,973	56,023	-	192,996
Source of supply	20,210	-	-	20,210
Stormwater	-	-	29,750	29,750
	<u>7,359,268</u>	<u>4,459,529</u>	<u>95,643</u>	<u>11,914,440</u>
Total operating expense				
Operating income before depreciation				
	2,138,269	2,472,073	382,149	4,992,491
Depreciation and amortization expense	<u>(1,939,225)</u>	<u>(2,125,052)</u>	<u>(133,452)</u>	<u>(4,197,729)</u>
OPERATING INCOME (LOSS)				
	199,044	347,021	248,697	794,762
Non-operating income (expenses)				
Interest income	452,409	198,071	28,176	678,656
Interest expense	(189,343)	(5,150)	-	(194,493)
Gain (loss) on disposal of equipment	<u>(73,037)</u>	<u>(58,109)</u>	<u>(37)</u>	<u>(131,183)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS				
	389,073	481,833	276,836	1,147,742
Capital contributions				
Grants	-	4,868,258	-	4,868,258
Tap fees	70,562	-	-	70,562
Customer contributions	<u>365,254</u>	<u>39,889</u>	<u>-</u>	<u>405,143</u>
CHANGE IN NET POSITION				
	824,889	5,389,980	276,836	6,491,705
Net position, beginning of year	<u>62,179,107</u>	<u>56,091,437</u>	<u>7,308,343</u>	<u>125,578,887</u>
NET POSITION, END OF YEAR				
	<u>\$ 63,003,996</u>	<u>\$ 61,481,417</u>	<u>\$ 7,585,179</u>	<u>\$ 132,070,592</u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF CASH FLOWS
for the year ended December 31, 2019

	<u>Water Total</u>	<u>Sewer Total</u>	<u>Storm Water</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,099,237	\$ 6,940,753	\$ 477,792	\$ 16,517,782
Payments to suppliers	(3,505,145)	(1,805,624)	(94,893)	(5,405,662)
Payments for employee services and benefits	<u>(2,440,677)</u>	<u>(1,734,454)</u>	<u>-</u>	<u>(4,175,131)</u>
Net cash provided by operating activities	<u>3,153,415</u>	<u>3,400,675</u>	<u>382,899</u>	<u>6,936,989</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Receipts (payments) on interfund loans	<u>144,624</u>	<u>(128,127)</u>	<u>(16,497)</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>144,624</u>	<u>(128,127)</u>	<u>(16,497)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	(745,000)	-	-	(745,000)
Bond proceeds	1,318,000	-	-	1,318,000
Line of credit proceeds	173,093	-	-	173,093
Payments on line of credit	(1,003,100)	-	-	(1,003,100)
Interest paid on long-term debt	(173,304)	(5,150)	-	(178,454)
Contributions in aid of construction	398,831	23,134	-	421,965
Grants received	36,604	5,534,261	-	5,570,865
Proceeds from sale of equipment	136	23,936	-	24,072
Acquisition and construction of capital assets	<u>(2,400,095)</u>	<u>(7,567,753)</u>	<u>(329,067)</u>	<u>(10,296,915)</u>
Net cash (used in) capital and related financing activities	<u>(2,394,835)</u>	<u>(1,991,572)</u>	<u>(329,067)</u>	<u>(4,715,474)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	439,097	196,729	25,870	661,696
Redemption of investments	-	489,668	-	489,668
Purchase of investments	<u>(3,783,630)</u>	<u>(499,602)</u>	<u>(303,660)</u>	<u>(4,586,892)</u>
Net cash provided by (used in) investing activities	<u>(3,344,533)</u>	<u>186,795</u>	<u>(277,790)</u>	<u>(3,435,528)</u>
NET INCREASE (DECREASE) IN CASH	(2,441,329)	1,467,771	(240,455)	(1,214,013)
Cash and cash equivalents, beginning of year	<u>15,543,455</u>	<u>7,514,513</u>	<u>1,189,998</u>	<u>24,247,966</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 13,102,126</u>	<u>\$ 8,982,284</u>	<u>\$ 949,543</u>	<u>\$ 23,033,953</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 199,044	\$ 347,021	\$ 248,697	\$ 794,762
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense	1,939,225	2,125,052	133,452	4,197,729
Net change in pension liability	1,076,670	836,505	-	1,913,175
Net change in OPEB liability	80,288	53,364	-	133,652
Change in assets and liabilities:				
Accounts receivable	(426,295)	9,151	-	(417,144)
Notes receivable	12,519	-	-	12,519
Prepaid expenses	(14,854)	13,149	(20)	(1,725)
Inventory	28,234	(461)	-	27,773
Accounts payable	205,012	(2,351)	770	203,431
Unearned revenue	15,476	-	-	15,476
Accrued expenses	15,202	4,765	-	19,967
Compensated absences	12,027	5,400	-	17,427
Other payables	<u>10,867</u>	<u>9,080</u>	<u>-</u>	<u>19,947</u>
Net cash provided by operating activities	<u>\$ 3,153,415</u>	<u>\$ 3,400,675</u>	<u>\$ 382,899</u>	<u>\$ 6,936,989</u>
Schedule of non-cash capital and financing activities:				
Capital asset additions included in accounts payable, net	<u>\$ (74,850)</u>	<u>\$ (607,875)</u>	<u>\$ -</u>	<u>\$ (682,725)</u>

The accompanying notes are an integral part of the financial statements

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hardin County Water District No. 1 (the District) is organized pursuant to provision of Chapter 74 of the Kentucky Revised Statutes in order to provide a water supply for citizens and residents of Radcliff, Kentucky and parts of Hardin, Meade and Breckinridge Counties. The District also provides water, sanitary and storm water services to the Fort Knox Army Post adjacent to Radcliff. The District is regulated by the Kentucky Public Service Commission.

Reporting Entity

Hardin County Water District No. 1's financial statements include the operations of all entities for which the District exercises oversight responsibilities. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The only entity included in these financial statements are the general operations of Hardin County Water District No. 1.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

The District reports all revenue and expenses as operating, except interest income and expense, gains and losses on asset sales or disposals and capital contributions.

Fund Accounting

The District reports three major funds: Water, Sewer and Storm Water. The Water Fund consists of the County Water and Ft. Knox Water operations. The Sewer Fund consists of the Ft. Knox Sewer and Radcliff Sewer operations. The Storm Water Fund consists of the Ft. Knox Stormwater operations.

Accounts Receivable

The County Water Fund's accounts receivable is net of an allowance for uncollectible accounts of \$2,193 at December 31, 2019. The allowance is increased by charges to bad debts and decreased by write-offs. Management's periodic evaluation of the adequacy of the allowance is based on the District's aged accounts receivable balances. The Ft. Knox Water Fund, both sewer funds and the Stormwater Fund do not carry an allowance for doubtful accounts based upon historical experience.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

The asset "due from other funds" and the liability "due to other funds" represent amounts transferred between the funds owed for personnel and other operating and non-operating expenses. The "due to" and "due from" are offset in the statement of net position.

The asset "interfund receivable" and the liability "interfund payable" represent interfund obligations. The "receivable" and "payable" are offset in the statement of net position.

Inventory

The water fund's inventory is composed of chemicals, equipment and supply-type items used for routine maintenance and repairs and new water lines. The sewer fund's inventory consists of chemicals. The inventory is stated at the lower of cost (first-in, first-out method) or market.

Restricted Assets

The water and sewer funds' restricted assets consist of certificates of deposit and non-interest-bearing accounts.

When both restricted and unrestricted resources are available for use, the District's Board of Commissioners makes a determination as to which resource should first be used.

Investments

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and District regulations governing the investment of public funds. As of December 31, 2019, all investments of the District were in certificates of deposit or bank accounts restricted for debt service and were valued at cost.

Capital Assets

The water, sewer and stormwater funds' property and equipment assets are recorded at cost or, if contributed, at donor cost or appraised value at date of acquisition. Depreciation is computed by the straight-line method based on the estimated useful life of the depreciable property. Plant and lines are capitalized with lives ranging from 5-65 years and vehicles and equipment are capitalized with lives ranging from 5-35 years. Land is not subject to depreciation. Expenditures for maintenance and repairs are charged to expense as incurred whereas expenditures, including associated labor, for installation, renewals or betterments are generally capitalized.

Amortization

The sewer fund's City of Radcliff sewer acquisition costs are being amortized using the straight-line method over a period of twenty-five years. The sewer fund is amortizing costs incurred for a rate case during 2014 over a period of 5 years. The costs are being amortized in the Radcliff Sewer Fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Investments classified as restricted assets are not included as cash and cash equivalents. Short-term certificates of deposit mature during the upcoming year, but do not meet the definition of a cash equivalent and therefore, are not classified as such.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through May 20, 2020, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2019, have not been evaluated by the District.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The majority of the District's deposits and investments at December 31, 2019, were covered by federal depository insurance or by collateral held by the custodial banks in the District's name. At December 31, 2019, the District had \$33,764,037 in banks, of which \$8,429,724 was uncollateralized. The entire uncollateralized balance consisted of certificates of deposit held at a single financial institution which is rated in one of the three highest categories by a nationally recognized rating agency.

The following is a detail of the District's deposit coverage at December 31, 2019:

FDIC insured (or equivalent)	\$ 753,081
Collateralized by securities held by the bank in the District's name	24,581,232
Uncollateralized certificates of deposit	<u>8,429,724</u>
Total cash and investments in banks	<u>\$ 33,764,037</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments are classified as follows as of December 31, 2019:

Unrestricted:	
Cash and cash equivalents:	
Revenue fund	\$ 23,029,170
Other	<u>4,783</u>
	23,033,953
Short-term investments:	
Certificates of deposit	<u>8,623,100</u>
Total unrestricted	<u>31,657,053</u>
Restricted:	
Long-term reserved funds:	
Bond reserve fund	100,000
2016 Sinking fund interest	15,065
2016 Sinking fund principal	151,667
2016 Debt service reserve	418,683
2016 Depreciation fund	759,713
2017 Bond construction fund	52,660
2019 RD Sinking fund	32,899
2019 RD Depreciation reserve	<u>56,624</u>
Total restricted	<u>1,587,311</u>
Total reported cash and investments	<u>\$ 33,244,364</u>

3. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

During 2019, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. Based on the status of existing lease agreements with Sprint and T-Mobile as of January 1, 2019, the District recognized both a lease receivable and a deferred inflow of resources related to various cell phone tower lease agreements totaling \$610,589. Each lease agreement has an initial term of five years, with various five-year renewal options at the option of the lessee. The District is reasonably certain that all options will be exercised and has calculated the present value of future lease payments based on an incremental borrowing rate of 3%. The present value of expected future minimum leases payments are as follows:

Calendar Year	Principal	Interest	Total
2020	\$ 50,057	\$ 4,403	\$ 54,460
2021	50,952	4,669	55,621
2022	49,083	3,128	52,211
2023	40,164	1,816	41,980
2024	41,232	3,029	44,261
2025-2029	202,995	14,828	217,823
2030-2034	106,164	8,387	114,551
2035	<u>15,288</u>	<u>172</u>	<u>15,460</u>
Total	<u>\$ 555,935</u>	<u>\$ 40,432</u>	<u>\$ 596,367</u>

Additionally, the District recognized deferred inflows of resources related to the above leases that totaled \$555,935 as of December 31, 2019. The deferred inflows of resources will be recognized over the term of the lease agreements as interest and lease revenue. During 2019, the District recognized \$1,667 of interest revenue and \$54,654 of lease revenue from the lease agreements.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

4. CAPITAL ASSETS

A summary of capital asset activity during the year follows:

	Balance			Balance
	Jan. 1, 2019	Additions	Retirements	Dec. 31, 2019
Capital assets not depreciated:				
Land and easements	\$ 348,351	\$ -	\$ -	\$ 348,351
Construction in process	7,785,003	5,790,606	-	13,575,609
Capital assets that are depreciated:				
Plant and lines	200,756,182	3,226,718	(341,194)	203,641,706
Vehicles and equipment	<u>9,672,725</u>	<u>596,863</u>	<u>(144,517)</u>	<u>10,125,071</u>
Total plant and equipment	218,562,261	9,614,187	(485,711)	227,690,737
Less: accumulated depreciation	<u>109,755,416</u>	<u>4,175,804</u>	<u>(330,466)</u>	<u>113,600,754</u>
Capital assets, net	<u>\$ 108,806,845</u>	<u>\$ 5,438,383</u>	<u>\$ (155,245)</u>	<u>\$ 114,089,983</u>

Depreciation expense for all combined funds totaled \$4,175,804 for the year ended December 31, 2019.

5. LONG-TERM LIABILITIES

Some of the construction costs of the District's water and sewer facilities have been financed by issuance of revenue bonds and revolving notes authorized under Kentucky Revised Statutes.

Bonds and notes payable of the County Water Fund consist of the following at December 31, 2019:

2017 Revenue bonds, various semi-annual principal and interest payments at 2.75% through January 1, 2059, secured by the revenues of the District.	\$ 1,318,000
2016 Revenue bonds, various semi-annual principal and interest payments at 1.4% - 1.7% through September 1, 2025, secured by the revenues of the District.	2,820,000
2002 Revenue Bonds, various semi-annual principal payments with monthly interest payments at a weekly variable rate which is to be the lowest interest rate on the determination date at which the bonds can be remarketed at par for the interest rate period through September 1, 2022, secured by a letter of credit issued from Cecilian Bank.	<u>900,000</u>
Total debt	5,038,000
Less: current portion	<u>773,500</u>
Total long-term debt	<u>\$ 4,264,500</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

5. LONG-TERM LIABILITIES (CONTINUED)

Debt maturities for the County Water Fund are as follows:

Calendar Year	Principal	Interest	Total
2020	\$ 773,500	\$ 111,203	\$ 884,703
2021	779,000	94,532	873,532
2022	779,500	74,061	853,561
2023	495,000	58,968	553,968
2024	500,500	50,336	550,836
2025-2029	602,000	168,614	770,614
2030-2034	128,500	143,763	272,263
2035-2039	147,000	124,850	271,850
2040-2044	168,000	103,235	271,235
2045-2049	192,500	78,478	270,978
2050-2054	221,000	50,090	271,090
2055-2059	<u>251,500</u>	<u>17,593</u>	<u>269,093</u>
	<u>\$ 5,038,000</u>	<u>\$ 1,075,723</u>	<u>\$ 6,113,723</u>

Changes in long-term liabilities for the District are as follows:

	Balance Jan. 1, 2019	Additions	Retirements	Balance Dec. 31, 2019	Due within one year
Long-term debt	\$ 4,465,000	\$ 1,318,000	\$ (745,000)	\$ 5,038,000	\$ 773,500
Net pension liability	8,695,921	2,150,300	-	10,846,221	-
Net OPEB liability	2,534,975	58,230	-	2,593,205	-
Compensated absences	<u>266,597</u>	<u>25,903</u>	-	<u>292,500</u>	-
Total long-term liabilities	<u>\$ 15,962,493</u>	<u>\$ 3,552,433</u>	<u>\$ (745,000)</u>	<u>\$ 18,769,926</u>	<u>\$ 773,500</u>

6. COMPLIANCE WITH BOND INDENTURE

Under covenants of the bond ordinance, certain funds have been established. These funds and their current financial requirements are presented in summary as follows:

Sinking Funds – There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2016 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2016 issue as of December 31, 2019, was \$166,732. There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2017 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2017 issue as of December 31, 2019, was \$32,899.

Debt Service Reserve Funds – A fund was established with the 2016 revenue bond issue and is required to have an amount equal to the lesser of: 10% of the proceeds of the bond issue, the maximum annual debt service of the bond issue, or 125% of the average annual debt service of the issue. The amount required to be held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2019, was \$416,500. The amount held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2019, was \$418,683. Additionally, a fund was established for the 2017 bond issue and is required to deposit \$470 a month until the account reaches \$56,400. The amount held in the Debt Service Reserve Fund for the 2017 bond issue as of December 31, 2019, was \$56,624.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

6. COMPLIANCE WITH BOND INDENTURE (CONTINUED)

Depreciation Fund – This fund receives \$8,500 monthly after the above transfers have been made until the total sum of \$750,000 has been established and maintained. This fund also receives the proceeds from the sale of any property and equipment. This fund may be used to purchase new or replacement property and equipment. Monies from this account are held by the bond custodian. At December 31, 2019, the District was fully funded with a balance of \$759,713.

Operating and Maintenance Fund – This fund receives, on a monthly basis, the remaining balance in the Revenue Fund after the above transfers have been made. This fund is used to pay operating expenditures. Any surplus left, after operating expenses have been met, may be added to the Debt Service Reserve.

2002 Adjustable Revenue Bonds Sinking Fund – The District filed Supplement No. 1 to Trust Indenture dated April 1, 2010. This supplement allows for a letter of credit to be issued by Cecilian Bank via a wrap around letter of credit from the Federal Home Loan Bank of Cincinnati as collateral for the original bond issue. As a result, the District is no longer required to fulfill the debt service reserve and depreciation fund requirements with the Bank of New York Mellon Trust Company. However, as of December 31, 2019, the District had reserved \$100,000 for future principal payments.

The bond ordinance calls for “net annual revenues” to exceed the maximum annual debt requirements of fixed rate bonds by 1.20 for the Water Fund. For the year ended December 31, 2019, the water fund ratio was 2.39.

7. LINE OF CREDIT

During 2016, the District opened up a line of credit at a local bank with a limit of \$5,000,000 that bears interest at a variable rate. The line of credit was opened to provide short-term financing for various projects taken on by the District and is expected to be paid down shortly after each draw is taken. The line of credit was renewed in September 2019 and matures in September 2020. The initial rate of interest after renewal, was 5.25%. The entire balance of the line of credit as of December 31, 2019, is considered short-term debt.

Activity for the line of credit during the year is as follows:

	Balance			Balance
	Jan. 1, 2019	Additions	Payments	Dec. 31, 2019
Line of credit	<u>\$ 1,832,968</u>	<u>\$ 173,093</u>	<u>\$ (1,003,100)</u>	<u>\$ 1,002,961</u>

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the district also carries commercial insurance for all other risks of loss such as worker’s compensation and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

9. RETIREMENT PLAN

Hardin County Water District No. 1 is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended December 31, 2019, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended December 31, 2019, participating employers contributed 21.48% through June 30th and 24.06% thereafter, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 10. Plan members contributed 16.22% to the pension trust through June 30th and 19.30%, thereafter for non-hazardous job classifications for the year ended December 31, 2019. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended December 31, 2019, the District contributed \$695,909 or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

9. RETIREMENT PLAN (CONTINUED)

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2019, the District reported a liability of \$10,846,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and was rolled forward using generally accepted actuarial procedures. The District proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the District's proportion was .154218 percent, which was an increase of .011435 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized pension expense of \$2,609,022. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 276,937	\$ 45,828
Changes of assumptions	1,097,761	-
Net difference between projected and actual earnings on Plan investments	-	174,845
Changes in proportion and differences between District contributions and proportionate share of contributions	1,064,587	-
District contributions subsequent to the measurement date	<u>380,758</u>	<u>-</u>
Total	<u>\$ 2,820,043</u>	<u>\$ 220,673</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

9. RETIREMENT PLAN (CONTINUED)

The \$380,758 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2020	\$ 1,367,622
2021	\$ 652,491
2022	\$ 186,093
2023	\$ 12,406

Actuarial Assumptions – The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% – 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

9. RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	\$ 13,565,546
Current discount rate	6.25%	\$ 10,846,221
1% increase	7.25%	\$ 8,579,690

Payable to the Pension Plan – At December 31, 2019, the District did not have a payable for outstanding contributions to the pension plan required for the year ended December 31, 2019.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2019, the employer's contribution was 5.26% through June 30th and 4.76% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended December 31, 2019, the District contributed \$196,108, or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2019, the District reported a liability for its proportionate share of the net OPEB liability of \$2,593,205. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2019 was .154177 percent, which was an increase of .011400 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized OPEB expense of \$389,619. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 782,430
Changes of assumptions	767,353	5,131
Net difference between projected and actual earnings on Plan investments	-	115,179
Changes in proportion and differences between District contributions and proportionate share of contributions	485,949	3,288
District contributions subsequent to the measurement date	<u>149,588</u>	<u>-</u>
Total	<u>\$ 1,402,890</u>	<u>\$ 906,028</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The \$149,588 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. This includes an adjustment of \$55,681 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending December 31,		
2020	\$	85,903
2021	\$	85,903
2022	\$	122,523
2023	\$	52,123
2024	\$	1,665
2025	\$	(843)

Actuarial Assumptions – The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30 to 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post – 65	Initial trend starting at 5.0% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2019, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate	Proportionate share of net OPEB liability
1% decrease	4.68%	\$ 3,473,827
Current discount rate	5.68%	\$ 2,593,205
1% increase	6.68%	\$ 1,867,630

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the District’s proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability
1% decrease	\$ 1,928,579
Current trend rate	\$ 2,593,205
1% increase	\$ 3,399,141

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

Payable to the Insurance Plan – At December 31, 2019, the District did not have a payable for outstanding contributions to the insurance plan required for the year ended December 31, 2019.

11. SUBSEQUENT EVENTS

Initial System Deficiency Correction Project

The District has been in contract with the U.S. Government for water system ownership and operations since 2012. An Initial System Deficiency Correction (ISDC) project list was part of the original contract. The District has been working towards the completion of the Revised ISDC Projects with the Defense Logistics Agency Energy (DLA). An amendment to the project list was executed on August 10, 2016, thereby setting a proposed project completion date of August 10, 2019. The majority of the amendment is related to the construction of two new 1.5-million-gallon elevated water storage tanks and major improvements and complete renovation to the Muldraugh Water Treatment Plant (WTP). The proposed tanks provide the majority of the benefits to the water quality (due to their strategic location to promote improved circulation) and pressure and fire flow (due to their higher elevation).

As a result of the REA concurrence, construction of the two tanks is set to begin in January 2020, with completion scheduled for November 2020.

With a final design completed on the tanks, the design of the Muldraugh WTP may be completed. Design is expected to be completed in May 2020. The construction schedule was impacted by the long lead time required for manufacture of key components, namely, the high service pumps. The high service pumps are on order and delivery/installation is scheduled for October 2020. Upon further analysis, Central WTP is expected to be closed in June 2020. Construction is set to begin on the Muldraugh WTP in October 2020.

Additional ISDC projects will follow completion of the Muldraugh WTP.

In order to seek payment for operating the two WTP’s between February 2017 and March 2019, the District filed a Request for Equitable Adjustment (REA) with the Government through DLA on May 20, 2019, in the amount of \$2,801,577.89. The Government agreed with the REA and has begun making payments.

The District received MOD P00048 during September 2019 for the REA. The MOD (Modification to Contract) specified the following CLIN (Contract Line Item Number) and dollar amounts:

<u>CLIN</u>	<u>Dollars</u>	<u>Description</u>
0059AA	\$2,154.00	FY 2016 MWTP Operation
0059AB	\$770,040.96	FY 2017 MWTP Operation
0059AC	\$1,162,023.76	FY 2018 MWTP Operation
0059AD	\$488,680.30	FY 2019 MWTP Operation (Oct 1, 2018 – Feb 28, 2019)

The assigned CLIN’s had no ACRN (Accounting Classification Reference Number). Once an ACRN is assigned to the CLIN we are able to bill for those monies. CLIN 0059AD was billed on September 30, 2019 for \$488,680.30 (two months was booked as 2019 revenue with the balance booked to contributed capital). This is the only CLIN billed by the District in 2019.

COVID-19 Pandemic

In early 2020, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The District is evaluating the impact of COVID-19 and related responses on the operations and finances of the District. Restrictions placed on the District could negatively impact the District’s revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

REQUIRED SUPPLEMENTARY INFORMATION

**HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Six Calendar Years**

	2014	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.087998%	0.087805%	0.112389%	0.113469%	0.142783%	0.154218%
District's proportionate share of the net pension liability (asset)	\$ 2,855,000	\$ 3,775,211	\$ 5,533,595	\$ 6,641,690	\$ 8,695,921	\$ 10,846,221
District's covered employee payroll	\$ 2,018,811	\$ 2,045,178	\$ 2,675,993	\$ 2,758,851	\$ 3,538,859	\$ 3,890,025
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	141.42%	184.59%	206.79%	240.74%	245.73%	278.82%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2019 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

The above schedule will present 10 years of historical data, once available.

HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS - PENSION
Last Seven Calendar Years

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 244,914	\$ 278,406	\$ 275,816	\$ 350,063	\$ 438,748	\$ 586,243	\$ 695,909
Contributions relative to contractually required employer contribution	<u>244,914</u>	<u>278,406</u>	<u>275,816</u>	<u>350,063</u>	<u>438,748</u>	<u>586,243</u>	<u>695,909</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,981,572	\$ 2,097,077	\$ 2,291,730	\$ 2,696,840	\$ 3,066,388	\$ 3,814,416	\$ 3,915,602
Employer contributions as a percentage of covered-employee payroll	12.36%	13.28%	12.04%	12.98%	14.31%	15.37%	17.77%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2019 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The District's covered payroll reported above is payroll for the District's corresponding calendar year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

**HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Four Calendar Years**

	2016	2017	2018	2019
District's proportion of the net OPEB liability	0.113469%	0.113469%	0.142777%	0.154177%
District's proportionate share of the net OPEB liability (asset)	\$ 1,789,239	\$ 2,281,115	\$ 2,534,975	\$ 2,593,205
District's covered employee payroll	\$ 2,675,993	\$ 2,758,851	\$ 3,538,859	\$ 3,890,025
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	66.86%	82.68%	71.63%	66.66%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2019 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net OPEB liability is 6 months preceding the calendar year of the District.

The above schedule will present 10 years of historical data, once available.

HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS - OPEB
Last Seven Calendar Years

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 134,489	\$ 104,351	\$ 110,888	\$ 132,117	\$ 147,156	\$ 190,193	\$ 196,108
Contributions relative to contractually required employer contribution	<u>134,489</u>	<u>104,351</u>	<u>110,888</u>	<u>132,117</u>	<u>147,156</u>	<u>190,193</u>	<u>196,108</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,981,572	\$ 2,097,077	\$ 2,291,730	\$ 2,696,840	\$ 3,066,388	\$ 3,814,416	\$ 3,915,602
Employer contributions as a percentage of covered-employee payroll	6.79%	4.98%	4.84%	4.90%	4.80%	4.99%	5.01%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2019 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the District's corresponding calendar year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net OPEB Liability.

The above schedule will present 10 years of historical data, once available.

SUPPLEMENTARY INFORMATION

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
COUNTY WATER FUND
for the year ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Metered water sales	\$ 4,052,950	\$ 4,052,950	\$ 3,539,190	\$ (513,760)
Wholesale sales	1,208,000	1,208,000	1,304,024	96,024
Sewer billing contract revenue	49,100	49,100	49,072	(28)
Penalties, service fees and reimbursements	<u>398,350</u>	<u>398,350</u>	<u>353,436</u>	<u>(44,914)</u>
Total operating revenue	<u>5,708,400</u>	<u>5,708,400</u>	<u>5,245,722</u>	<u>(462,678)</u>
OPERATING EXPENSES				
Treatment	1,214,389	1,214,389	1,423,762	209,373
Transmission and distribution	971,144	971,144	1,130,676	159,532
Customer service	357,054	357,054	442,033	84,979
General and administrative expenses	499,796	499,796	567,711	67,915
Purchased water	319,800	319,800	355,177	35,377
General maintenance	120,669	120,669	136,973	16,304
Source of supply	<u>17,500</u>	<u>17,500</u>	<u>20,210</u>	<u>2,710</u>
Total operating expense	<u>3,500,352</u>	<u>3,500,352</u>	<u>4,076,542</u>	<u>576,190</u>
Operating income (loss) before depreciation	2,208,048	2,208,048	1,169,180	(1,038,868)
Depreciation and amortization expense	<u>(1,355,100)</u>	<u>(1,355,100)</u>	<u>(1,369,265)</u>	<u>(14,165)</u>
OPERATING INCOME (LOSS)	852,948	852,948	(200,085)	(1,053,033)
Non-operating income (expenses)				
Interest income	31,500	31,500	47,918	16,418
Interest expense	(165,600)	(165,600)	(189,343)	(23,743)
Loss on sale of equipment	<u>-</u>	<u>-</u>	<u>(67,642)</u>	<u>(67,642)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	718,848	718,848	(409,152)	(1,128,000)
Capital contributions				
Grants	48,300	48,300	-	(48,300)
Tap fees	26,500	26,500	62,132	35,632
Customer contributions	<u>-</u>	<u>-</u>	<u>36,985</u>	<u>36,985</u>
CHANGE IN NET POSITION	<u>\$ 793,648</u>	<u>\$ 793,648</u>	<u>\$ (310,035)</u>	<u>\$ (1,103,683)</u>

Note 1: Adjustments to account for the changes in the net pension and net OPEB liabilities resulted in an increase in pension expense of \$745,182. Due to the uncertainty of the impact of the required net pension and OPEB liability adjustments on expense, an amount was not included in the enacted budget for the current year change in the net pension and OPEB liability.

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
FORT KNOX WATER FUND
for the year ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Metered water sales	\$ 3,952,300	\$ 3,952,300	\$ 4,249,372	\$ 297,072
Penalties, service fees and reimbursements	<u>500</u>	<u>500</u>	<u>2,443</u>	<u>1,943</u>
Total operating revenue	<u>3,952,800</u>	<u>3,952,800</u>	<u>4,251,815</u>	<u>299,015</u>
OPERATING EXPENSES				
Transmission and distribution	712,207	712,207	876,273	164,066
General and administrative expenses	<u>2,274,785</u>	<u>2,274,785</u>	<u>2,406,453</u>	<u>131,668</u>
Total operating expense	<u>2,986,992</u>	<u>2,986,992</u>	<u>3,282,726</u>	<u>295,734</u>
Operating income (loss) before depreciation	965,808	965,808	969,089	3,281
Depreciation and amortization expense	<u>(559,500)</u>	<u>(559,500)</u>	<u>(569,960)</u>	<u>(10,460)</u>
OPERATING INCOME (LOSS)	406,308	406,308	399,129	(7,179)
Non-operating income				
Interest income	349,300	349,300	404,491	55,191
Gain on disposal of equipment	<u>-</u>	<u>-</u>	<u>(5,395)</u>	<u>(5,395)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	755,608	755,608	798,225	42,617
Capital contributions				
Tap fees	-	-	8,430	8,430
Customer contribution	<u>2,164,810</u>	<u>2,164,810</u>	<u>328,269</u>	<u>(1,836,541)</u>
CHANGE IN NET POSITION	<u>\$ 2,920,418</u>	<u>\$ 2,920,418</u>	<u>\$ 1,134,924</u>	<u>\$ (1,785,494)</u>

Note 1: Adjustments to account for the changes in the net pension and net OPEB liabilities resulted in an increase in pension expense of \$411,776. Due to the uncertainty of the impact of the required net pension and OPEB liability adjustments on expense, an amount was not included in the enacted budget for the current year change in the net pension and OPEB liability.

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
FORT KNOX SEWER FUND
for the year ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Sewer service revenue	\$ 2,907,627	\$ 2,907,627	\$ 2,912,660	\$ 5,033
Penalties, service fees and reimbursements	<u>500</u>	<u>500</u>	<u>1,845</u>	<u>1,345</u>
Total operating revenue	<u>2,908,127</u>	<u>2,908,127</u>	<u>2,914,505</u>	<u>6,378</u>
OPERATING EXPENSES				
Treatment	624,124	624,124	743,605	119,481
Transmission and distribution	430,807	430,807	529,833	99,026
Sewer administration	36,210	36,210	81,826	45,616
Professional services	15,344	15,344	13,567	(1,777)
Insurance	23,700	23,700	23,505	(195)
Customer service	137,096	137,096	223,216	86,120
Other	<u>33,259</u>	<u>33,259</u>	<u>21,587</u>	<u>(11,672)</u>
Total operating expense	<u>1,300,540</u>	<u>1,300,540</u>	<u>1,637,139</u>	<u>336,599</u>
Operating income (loss) before depreciation	1,607,587	1,607,587	1,277,366	(330,221)
Depreciation and amortization expense	<u>(963,900)</u>	<u>(963,900)</u>	<u>(1,003,779)</u>	<u>(39,879)</u>
OPERATING INCOME (LOSS)	643,687	643,687	273,587	(370,100)
Non-operating income (expenses)				
Interest income	85,300	85,300	109,123	23,823
Interest expense	(900)	(900)	(966)	(66)
Loss on disposal of equipment	<u>-</u>	<u>-</u>	<u>(6,742)</u>	<u>(6,742)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	728,087	728,087	375,002	(353,085)
Capital contributions				
Customer contributions	<u>17,700</u>	<u>17,700</u>	<u>39,889</u>	<u>22,189</u>
CHANGE IN NET POSITION	<u>\$ 745,787</u>	<u>\$ 745,787</u>	<u>\$ 414,891</u>	<u>\$ (330,896)</u>

Note 1: Adjustments to account for the changes in the net pension and net OPEB liabilities resulted in an increase in pension expense of \$369,410. Due to the uncertainty of the impact of the required net pension and OPEB liability adjustments on expense, an amount was not included in the enacted budget for the current year change in the net pension and OPEB liability.

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
RADCLIFF SEWER FUND
for the year ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Sewer service revenue	\$ 4,302,625	\$ 4,302,625	\$ 3,781,932	\$ (520,693)
Penalties, service fees and reimbursements	<u>257,600</u>	<u>257,600</u>	<u>235,165</u>	<u>(22,435)</u>
Total operating revenue	<u>4,560,225</u>	<u>4,560,225</u>	<u>4,017,097</u>	<u>(543,128)</u>
OPERATING EXPENSES				
Treatment	794,361	794,361	656,211	(138,150)
Transmission and distribution	1,090,094	1,090,094	1,146,324	56,230
Professional services	19,418	19,418	15,527	(3,891)
Insurance	27,900	27,900	24,254	(3,646)
Customer service	588,332	588,332	672,472	84,140
Sewer administration	154,335	154,335	220,512	66,177
Sewer commission	23,003	23,003	31,067	8,064
System maintenance	<u>48,061</u>	<u>48,061</u>	<u>56,023</u>	<u>7,962</u>
Total operating expense	<u>2,745,504</u>	<u>2,745,504</u>	<u>2,822,390</u>	<u>76,886</u>
Operating income (loss) before depreciation	1,814,721	1,814,721	1,194,707	(620,014)
Depreciation and amortization expense	<u>(1,249,000)</u>	<u>(1,249,000)</u>	<u>(1,121,273)</u>	<u>127,727</u>
OPERATING INCOME (LOSS)	565,721	565,721	73,434	(492,287)
Non-operating income (expenses)				
Interest income	67,400	67,400	88,948	21,548
Interest expense	(96,900)	(96,900)	(4,184)	92,716
Loss on disposal of equipment	<u>-</u>	<u>-</u>	<u>(51,367)</u>	<u>(51,367)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	536,221	536,221	106,831	(429,390)
Capital contributions				
Grants	3,531,550	3,531,550	4,868,258	1,336,708
Tap fees	<u>750</u>	<u>750</u>	<u>-</u>	<u>(750)</u>
CHANGE IN NET POSITION	<u>\$ 4,068,521</u>	<u>\$ 4,068,521</u>	<u>\$ 4,975,089</u>	<u>\$ 906,568</u>

Note 1: Adjustments to account for the changes in the net pension and net OPEB liabilities resulted in an increase in pension expense of \$520,459. Due to the uncertainty of the impact of the required net pension and OPEB liability adjustments on expense, an amount was not included in the enacted budget for the current year change in the net pension and OPEB liability.

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
STORMWATER FUND
for the year ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Stormwater service revenue	\$ 477,800	\$ 477,800	\$ 477,792	\$ (8)
Total operating revenue	<u>477,800</u>	<u>477,800</u>	<u>477,792</u>	<u>(8)</u>
OPERATING EXPENSES				
Transmission and distribution	86,384	86,384	64,926	(21,458)
Professional services	2,237	2,237	1,804	(433)
Insurance	3,400	3,400	3,286	(114)
Customer service	961	961	967	6
Other	<u>23,699</u>	<u>23,699</u>	<u>24,660</u>	<u>961</u>
Total operating expense	<u>116,681</u>	<u>116,681</u>	<u>95,643</u>	<u>(21,038)</u>
Operating income before depreciation	361,119	361,119	382,149	21,030
Depreciation and amortization expense	<u>(122,700)</u>	<u>(122,700)</u>	<u>(133,452)</u>	<u>(10,752)</u>
OPERATING INCOME	<u>238,419</u>	<u>238,419</u>	<u>248,697</u>	<u>10,278</u>
Non-operating income (expenses)				
Interest income	23,400	23,400	28,176	4,776
Loss on disposal of equipment	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>(37)</u>
Total non-operating income (expenses)	<u>23,400</u>	<u>23,400</u>	<u>28,139</u>	<u>4,739</u>
CHANGE IN NET POSITION	<u>\$ 261,819</u>	<u>\$ 261,819</u>	<u>\$ 276,836</u>	<u>\$ 15,017</u>

COMBINING FUND STATEMENTS

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF NET POSITION
December 31, 2019

	County Water	Ft. Knox Water	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 973,887	\$ 12,128,239	\$ 13,102,126
Investments	837,385	6,910,917	7,748,302
Customer accounts receivable, net	371,702	513,030	884,732
Interest receivable	5,857	32,592	38,449
Other accounts receivable	6,178	195,972	202,150
Note receivable - current	12,933	-	12,933
Lease receivable - current	50,057	-	50,057
Due from other funds	7,598	9,423	17,021
Inventory - materials and supplies	210,956	80,272	291,228
Prepaid expenses	71,763	22,244	94,007
Total current assets	<u>2,548,316</u>	<u>19,892,689</u>	<u>22,441,005</u>
Other assets			
Note receivable	35,288	-	35,288
Lease receivable	505,878	-	505,878
Restricted investments - reserve funds	1,587,311	-	1,587,311
Total other assets	<u>2,128,477</u>	<u>-</u>	<u>2,128,477</u>
Capital assets			
Land and easements	338,807	-	338,807
Construction in progress	1,276,942	2,058,423	3,335,365
Plant and lines	51,520,302	15,917,540	67,437,842
Vehicles and equipment	4,680,260	2,282,176	6,962,436
Total capital assets	57,816,311	20,258,139	78,074,450
Less: accumulated depreciation	<u>(20,143,095)</u>	<u>(3,527,284)</u>	<u>(23,670,379)</u>
Total capital assets, net	<u>37,673,216</u>	<u>16,730,855</u>	<u>54,404,071</u>
Total assets	<u>42,350,009</u>	<u>36,623,544</u>	<u>78,973,553</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	1,053,711	502,154	1,555,865
Deferred outflows of resources - OPEB	524,191	249,807	773,998
Total deferred outflows of resources	<u>1,577,902</u>	<u>751,961</u>	<u>2,329,863</u>
Total assets and deferred outflows of resources	<u>\$ 43,927,911</u>	<u>\$ 37,375,505</u>	<u>\$ 81,303,416</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 413,009	\$ 184,253	\$ 597,262
Accrued expenses	75,498	20,299	95,797
Unearned revenue	56,897	-	56,897
Customers' deposits	211,526	-	211,526
Line of credit	1,002,961	-	1,002,961
Current portion of interfund loan	428,828	-	428,828
Reserve for unclaimed funds - escheatment	9,057	-	9,057
Liabilities payable from restricted assets:			
Current portion of long-term debt	773,500	-	773,500
Accrued interest on long-term debt	33,181	-	33,181
Total current liabilities	<u>3,004,457</u>	<u>204,552</u>	<u>3,209,009</u>
Long-term liabilities			
Compensated absences	201,388	39,082	240,470
Bonds payable	4,264,500	-	4,264,500
Net pension liability	4,052,701	1,931,344	5,984,045
Net OPEB liability	968,953	461,762	1,430,715
Interfund loan	1,993,125	-	1,993,125
Total long-term liabilities	<u>11,480,667</u>	<u>2,432,188</u>	<u>13,912,855</u>
Total liabilities	<u>14,485,124</u>	<u>2,636,740</u>	<u>17,121,864</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	82,456	39,294	121,750
Deferred inflows of resources - OPEB	338,538	161,333	499,871
Deferred inflows of resources - leases	555,935	-	555,935
Total deferred inflows of resources	<u>976,929</u>	<u>200,627</u>	<u>1,177,556</u>
NET POSITION			
Net investment in capital assets	31,599,074	16,730,855	48,329,929
Restricted	1,587,311	-	1,587,311
Unrestricted	<u>(4,720,527)</u>	<u>17,807,283</u>	<u>13,086,756</u>
Total net position	<u>28,465,858</u>	<u>34,538,138</u>	<u>63,003,996</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 43,927,911</u>	<u>\$ 37,375,505</u>	<u>\$ 81,303,416</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2019

	County Water	Fort Knox Water	Total
OPERATING REVENUE			
Metered water sales	\$ 3,539,190	\$ 4,249,372	\$ 7,788,562
Wholesale sales	1,304,024	-	1,304,024
Sewer billing contract revenue	49,072	-	49,072
Penalties, service fees and reimbursements	<u>353,436</u>	<u>2,443</u>	<u>355,879</u>
Total operating revenue	<u>5,245,722</u>	<u>4,251,815</u>	<u>9,497,537</u>
OPERATING EXPENSES			
Treatment	1,423,762	-	1,423,762
Transmission and distribution	1,130,676	876,273	2,006,949
Customer service	442,033	-	442,033
General and administrative expenses	567,711	2,406,453	2,974,164
Purchased water	355,177	-	355,177
General maintenance	136,973	-	136,973
Source of supply	<u>20,210</u>	<u>-</u>	<u>20,210</u>
Total operating expense	<u>4,076,542</u>	<u>3,282,726</u>	<u>7,359,268</u>
Operating income (loss) before depreciation	1,169,180	969,089	2,138,269
Depreciation and amortization expense	<u>(1,369,265)</u>	<u>(569,960)</u>	<u>(1,939,225)</u>
OPERATING INCOME (LOSS)	(200,085)	399,129	199,044
Non-operating income (expenses)			
Interest income	47,918	404,491	452,409
Interest expense	(189,343)	-	(189,343)
Gain (loss) on sale of equipment	<u>(67,642)</u>	<u>(5,395)</u>	<u>(73,037)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(409,152)	798,225	389,073
Capital contributions			
Tap fees	62,132	8,430	70,562
Customer contributions	<u>36,985</u>	<u>328,269</u>	<u>365,254</u>
CHANGE IN NET POSITION	(310,035)	1,134,924	824,889
Net position, beginning of year	<u>28,775,893</u>	<u>33,403,214</u>	<u>62,179,107</u>
NET POSITION, END OF YEAR	<u>\$ 28,465,858</u>	<u>\$ 34,538,138</u>	<u>\$ 63,003,996</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF CASH FLOWS
for the year ended December 31, 2019

	County Water	Ft. Knox Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 5,307,035	\$ 3,792,202	\$ 9,099,237
Payments to suppliers	(1,422,276)	(2,082,869)	(3,505,145)
Payments for employee services and benefits	<u>(1,797,236)</u>	<u>(643,441)</u>	<u>(2,440,677)</u>
Net cash provided by operating activities	<u>2,087,523</u>	<u>1,065,892</u>	<u>3,153,415</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Receipts (payments) on interfund loans	<u>(10,143)</u>	<u>154,767</u>	<u>144,624</u>
Net cash provided by (used in) non-capital financing activities	<u>(10,143)</u>	<u>154,767</u>	<u>144,624</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(745,000)	-	(745,000)
Bond proceeds	1,318,000	-	1,318,000
Line of credit proceeds	173,093	-	173,093
Payments on line of credit	(1,003,100)	-	(1,003,100)
Interest paid on long-term debt	(173,304)	-	(173,304)
Contributions in aid of construction	62,132	336,699	398,831
Grants received	36,604	-	36,604
Proceeds from sale of equipment	124	12	136
Acquisition and construction of capital assets	<u>(1,683,101)</u>	<u>(716,994)</u>	<u>(2,400,095)</u>
Net cash (used in) capital and related financing activities	<u>(2,014,552)</u>	<u>(380,283)</u>	<u>(2,394,835)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	45,933	393,164	439,097
Purchase of investments	<u>(160,327)</u>	<u>(3,623,303)</u>	<u>(3,783,630)</u>
Net cash (used in) investing activities	<u>(114,394)</u>	<u>(3,230,139)</u>	<u>(3,344,533)</u>
NET (DECREASE) IN CASH	(51,566)	(2,389,763)	(2,441,329)
Cash and cash equivalents, beginning of year	<u>1,025,453</u>	<u>14,518,002</u>	<u>15,543,455</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 973,887</u>	<u>\$ 12,128,239</u>	<u>\$ 13,102,126</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (200,085)	\$ 399,129	\$ 199,044
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,369,265	569,960	1,939,225
Net change in pension liability	699,885	376,785	1,076,670
Net change in OPEB liability	45,297	34,991	80,288
Change in assets and liabilities:			
Accounts receivable	33,318	(459,613)	(426,295)
Notes receivable	12,519	-	12,519
Prepaid expenses	(9,966)	(4,888)	(14,854)
Inventory	49,546	(21,312)	28,234
Accounts payable	45,961	159,051	205,012
Unearned revenue	15,476	-	15,476
Accrued expenses	11,884	3,318	15,202
Compensated absences	12,027	-	12,027
Other payables	<u>2,396</u>	<u>8,471</u>	<u>10,867</u>
Net cash provided by operating activities	<u>\$ 2,087,523</u>	<u>\$ 1,065,892</u>	<u>\$ 3,153,415</u>
Schedule of non-cash capital and financing activities:			
Capital asset additions included in accounts payable, net	<u>\$ 30,503</u>	<u>\$ (105,353)</u>	<u>\$ (74,850)</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF NET POSITION
December 31, 2019

	Ft. Knox Sewer	Radcliff Sewer	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,097,383	\$ 4,884,901	\$ 8,982,284
Investments	84,295	415,307	499,602
Customer accounts receivable, net	709,462	227,063	936,525
Interest receivable	589	2,900	3,489
Other accounts receivable	28,405	233,141	261,546
Inventory - material and supplies	1,408	3,334	4,742
Current portion of interfund receivable	-	428,828	428,828
Due from other funds	-	52,882	52,882
Prepaid expenses	<u>25,029</u>	<u>17,564</u>	<u>42,593</u>
Total current assets	<u>4,946,571</u>	<u>6,265,920</u>	<u>11,212,491</u>
Other assets			
Interfund receivable	-	1,993,125	1,993,125
Unamortized Radcliff acquisition costs, net	<u>-</u>	<u>138,400</u>	<u>138,400</u>
Total other assets	<u>-</u>	<u>2,131,525</u>	<u>2,131,525</u>
Capital assets			
Land and easements	-	9,544	9,544
Construction in progress	2,253,034	7,627,927	9,880,961
Plant and lines	88,903,106	40,883,346	129,786,452
Vehicles and equipment	<u>1,381,178</u>	<u>1,635,270</u>	<u>3,016,448</u>
Total capital assets	92,537,318	50,156,087	142,693,405
Less: accumulated depreciation	<u>(67,670,989)</u>	<u>(21,484,465)</u>	<u>(89,155,454)</u>
Total capital assets, net	<u>24,866,329</u>	<u>28,671,622</u>	<u>53,537,951</u>
Total assets	<u>29,812,900</u>	<u>37,069,067</u>	<u>66,881,967</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	550,869	713,309	1,264,178
Deferred outflows of resources - OPEB	<u>274,042</u>	<u>354,850</u>	<u>628,892</u>
Total deferred outflows of resources	<u>824,911</u>	<u>1,068,159</u>	<u>1,893,070</u>
Total assets and deferred outflows of resources	<u>\$ 30,637,811</u>	<u>\$ 38,137,226</u>	<u>\$ 68,775,037</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 119,306	\$ 274,648	\$ 393,954
Accrued expenses	20,856	27,656	48,512
Due to other funds	60,789	-	60,789
Customers' deposits	<u>-</u>	<u>208,589</u>	<u>208,589</u>
Total current liabilities	<u>200,951</u>	<u>510,893</u>	<u>711,844</u>
Long-term liabilities			
Compensated absences	26,209	25,821	52,030
Net pension liability	2,118,706	2,743,470	4,862,176
Net OPEB liability	<u>506,558</u>	<u>655,932</u>	<u>1,162,490</u>
Total long-term liabilities	<u>2,651,473</u>	<u>3,425,223</u>	<u>6,076,696</u>
Total liabilities	<u>2,852,424</u>	<u>3,936,116</u>	<u>6,788,540</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	43,106	55,817	98,923
Deferred inflows of resources - OPEB	<u>176,984</u>	<u>229,173</u>	<u>406,157</u>
Total deferred inflows of resources	<u>220,090</u>	<u>284,990</u>	<u>505,080</u>
NET POSITION			
Net investment in capital assets	24,866,329	28,671,622	53,537,951
Unrestricted	<u>2,698,968</u>	<u>5,244,498</u>	<u>7,943,466</u>
Total net position	<u>27,565,297</u>	<u>33,916,120</u>	<u>61,481,417</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,637,811</u>	<u>\$ 38,137,226</u>	<u>\$ 68,775,037</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2019

	Ft. Knox Sewer	Radcliff Sewer	Total
OPERATING REVENUE			
Sewer service revenue	\$ 2,912,660	\$ 3,781,932	\$ 6,694,592
Penalties, service fees and reimbursements	<u>1,845</u>	<u>235,165</u>	<u>237,010</u>
Total operating revenue	<u>2,914,505</u>	<u>4,017,097</u>	<u>6,931,602</u>
OPERATING EXPENSES			
Treatment	743,605	656,211	1,399,816
Transmission and distribution	529,833	1,146,324	1,676,157
Customer service	223,216	672,472	895,688
General and administrative expenses	140,485	291,360	431,845
General maintenance	<u>-</u>	<u>56,023</u>	<u>56,023</u>
Total operating expense	<u>1,637,139</u>	<u>2,822,390</u>	<u>4,459,529</u>
Operating income before depreciation	1,277,366	1,194,707	2,472,073
Depreciation and amortization expense	<u>(1,003,779)</u>	<u>(1,121,273)</u>	<u>(2,125,052)</u>
OPERATING INCOME (LOSS)	273,587	73,434	347,021
Non-operating income (expenses)			
Interest income	109,123	88,948	198,071
Interest expense	(966)	(4,184)	(5,150)
(Loss) on sale of equipment	<u>(6,742)</u>	<u>(51,367)</u>	<u>(58,109)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	375,002	106,831	481,833
Capital Contributions			
Grants	-	4,868,258	4,868,258
Customer contributions	<u>39,889</u>	<u>-</u>	<u>39,889</u>
CHANGE IN NET POSITION	414,891	4,975,089	5,389,980
Net position, beginning of year	<u>27,150,406</u>	<u>28,941,031</u>	<u>56,091,437</u>
NET POSITION, END OF YEAR	<u>\$ 27,565,297</u>	<u>\$ 33,916,120</u>	<u>\$ 61,481,417</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF CASH FLOWS
for the year ended December 31, 2019

	Ft. Knox Sewer	Radcliff Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,914,505	\$ 4,026,248	\$ 6,940,753
Payments to suppliers	(640,974)	(1,164,650)	(1,805,624)
Payments for employee services and benefits	(611,708)	(1,122,746)	(1,734,454)
Net cash provided by operating activities	<u>1,661,823</u>	<u>1,738,852</u>	<u>3,400,675</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Receipts (payments) on interfund loans	(232,315)	104,188	(128,127)
Net cash provided by (used in) non-capital financing activities	<u>(232,315)</u>	<u>104,188</u>	<u>(128,127)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on long-term debt	(966)	(4,184)	(5,150)
Contributions in aid of construction	23,134	-	23,134
Grants received	-	5,534,261	5,534,261
Proceeds from sale of equipment	16	23,920	23,936
Acquisition and construction of capital assets	(2,234,759)	(5,332,994)	(7,567,753)
Net cash provided by (used in) capital and related financing activities	<u>(2,212,575)</u>	<u>221,003</u>	<u>(1,991,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	108,896	87,833	196,729
Redemption of investments	82,619	407,049	489,668
Purchase of investments	(84,295)	(415,307)	(499,602)
Net cash provided by investing activities	<u>107,220</u>	<u>79,575</u>	<u>186,795</u>
NET INCREASE (DECREASE) IN CASH	(675,847)	2,143,618	1,467,771
Cash and cash equivalents, beginning of year	4,773,230	2,741,283	7,514,513
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,097,383</u>	<u>\$ 4,884,901</u>	<u>\$ 8,982,284</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 273,587	\$ 73,434	\$ 347,021
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	1,003,779	1,121,273	2,125,052
Net change in pension liability	350,498	486,007	836,505
Net change in OPEB liability	18,912	34,452	53,364
Change in assets and liabilities:			
Accounts receivable	-	9,151	9,151
Prepaid expenses	(14,143)	27,292	13,149
Inventory	1,157	(1,618)	(461)
Accounts payable	24,429	(26,780)	(2,351)
Accrued expenses	2,142	2,623	4,765
Compensated absences	1,462	3,938	5,400
Other payables	-	9,080	9,080
Net cash provided by operating activities	<u>\$ 1,661,823</u>	<u>\$ 1,738,852</u>	<u>\$ 3,400,675</u>
Schedule of non-cash capital and financing activities:			
Fixed asset additions included in accounts payable, net	<u>\$ (179)</u>	<u>\$ (607,696)</u>	<u>\$ (607,875)</u>



**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Hardin County Water District No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of the Hardin County Water District No. 1, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Hardin County Water District No. 1's basic financial statements and have issued our report thereon dated May 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hardin County Water District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Water District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Water District No. 1's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Water District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
May 20, 2020